

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 6280**

**BILL NUMBER:** SB 398

**DATE PREPARED:** Nov 13, 1998

**BILL AMENDED:**

**SUBJECT:** Disability benefits for public safety officers.

**FISCAL ANALYST:** James Sperlik

**PHONE NUMBER:** 232-9866

**FUNDS AFFECTED:**      **GENERAL  
DEDICATED  
FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** This bill provides that members of the 1925 Police Pension Fund, 1937 Firefighters' Pension Fund, 1953 Police Pension Fund, and the 1977 Police Officers' and Firefighters' Pension Fund who develop cancer or a heart condition that is related to the police officer's or firefighter's duties are entitled to 75% of the salary of a first class patrolman or firefighter. It provides that the death of a police officer or firefighter from cancer or a heart condition related to the police officer's or firefighter's duties is a death in the line of duty.

**Effective Date:** July 1, 1999.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** It is unknown how many disabilities are a result of heart disease or a diagnosis of cancer. For the purposes of the bill, it has been assumed that 50% of the disabilities are due to heart disease or diagnosis of cancer. Below is a table which shows the estimated fiscal impact of this proposal:

	<b><u>1925,1937 and 1953 Funds</u></b>	<b><u>Converted 1977 Plan</u></b>	<b><u>Non-Converted 1977 Plan</u></b>
Increase in Actuarial Liabilities	\$1,105,000	\$812,000	\$8,880,000
Increase in Annual Funding	(see below)	(see below)	21% would increase to 22.1%

Since the benefits for the 1925, 1937, and 1953 Fund (Old Plan members) and Converted members are funded on a pay-as-you-go basis, the following illustrates the estimated increase in benefit payouts by cities

and towns over the next five years:

<u>Calendar Year</u>	<u>Increase in Expected Benefit Payouts</u>
1999	\$116,499
2000	162,312
2001	225,263
2002	269,602
2003	<u>321,100</u>
Total	\$1,094,776

The funds affected are Police and Fire Pension Funds. The principal revenue sources for these funds are: 1) Cigarette taxes; 2) Liquor gallonage taxes; 3) Auto and Aircraft excise taxes.

**Explanation of Local Revenues:**

**State Agencies Affected:**

**Local Agencies Affected:** Those cities and towns with members in the affected pension plans.

**Information Sources:** Doug Todd of McCready & Keene, Inc., actuaries for the Police and Fire Funds, 576-1508. Also PD 3404/99.

**Old Plan:** Members hired before May 1, 1977 who have not elected to convert to the benefit structure under the 1977 Act.

**Converted:** Members hired before May 1, 1977 who have elected to convert to the benefit structure under the 1977 Act.

**Non-Converted 1977 Plan:** Members hired after April, 30, 1977, all of whom are covered by the benefit structure under the 1977 Act.

**Actuarial Liability** The excess of the present value of all benefits thereafter payable under the system over the present value of future normal costs.

**Pay-as you-go** A method of payment that recognizes the costs of the retirement system only as benefits are paid.